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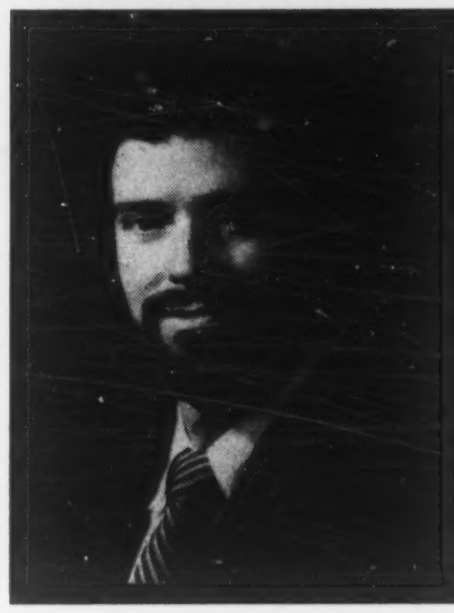
LUMBER REPORT

Trade groups can provide help with lumber products



"If you're serious about training your lumber salespeople and want to provide them with a broad view on markets and wood promotion, investigate how these groups can help."

Hawk Furman

By Hawk Furman
Special to NHCN

BOSTON — Chances are that your lumber and panel board departments are not utilizing a tremendous resource available to them.

Nonprofit lumber associations like The Western Wood Products Association and the American Plywood Association offer many services which can help educate and train your salespeople.

They also provide a broad view of market trends and projections and offer promotion ideas that can increase your lumber and panel board sales.

Western Wood Products Association

The Western Wood Products Association (WWPA) represents 75 percent to 90 percent of all Western United States lumber manufacturers.

They publish a weekly newsletter called *Plumb Line* which gives an overview on the market including statistics on housing starts and consumption. They also provide a weekly update on production, orders, shipments and inventories of Western mills. It can be a tremendous help in making purchasing decisions.

The WWPA last year distributed more than 1.3 million pieces of literature, 50 percent were plan sheets and idea books.

A small story in the *Washington Post* on making storage shelves brought more than 250 requests for plan sheets. The association has field representatives throughout the U.S. which can help on problems relating to Western lumber. They also provide seminars on grading and usage.

Members of the American Plywood Association (APA) produce more than 80 percent of construction and industrial panels made in the the United States.

It is a market-oriented association which researches and develops new ideas for panel uses. Their *Handy Plan Catalog* contains plans for 50 projects including bunk beds, sheds and work benches. Each has easy-to-follow instructions and materials list.

The APA provides sales training specifically geared to the DIY market. Their correspondence course can teach salespeople the basics on structural wood panels.

Also available are cassettes, slides and video tapes on the uses of panels and the manufacturing process. These cover plywood, waferboard, O.S.B., particle board and composite panels. These programs can be borrowed free for 14 days or purchased for $50.

Technical help provided

The *APA Dealer Reference Binder* lists product data and brochures to help retailers respond quickly to common questions.

The *APA Panel Selector Guide* is a full-size wall poster which describes the most commonly used construction and DIY panel grades.

The APA also provides technical help and field reps to reduce panel problems and provide educational seminars geared to your needs.

Two other associations, the Southern Forest Products Association and Northeast Lumbermen's Association also provide helpful services.

If you're serious about training your lumber and panel board salespeople and want to provide them with a broad view on markets and wood promotion, investigate how these groups can help.

For more information write WWPA, Yeon Building, 522 SW 5th Ave., Portland, Ore., 97204-2127; APA, P.O. Box 11700, Tucoma, Wash., 98411; SFPA, P.O. Box 52468, New Orleans, La., 70152; and NELMA, 4 Fundy Rd., Falmouth, Mass., 04105.

Hawk Furman is president and ceo of Furman Lumber in Boston.

Plano dealers say law barring wood shingles won't hurt them

By an NHCN staff editor

PLANO, Texas — Home center and lumberyard operators in this affluent Dallas suburb do not expect their businesses to be adversely affected by a law banning untreated wood shingles.

"I don't think this is going to have any effect on our business," said Danny Mullin, store manger of American Building Centers, an independent operator. "We were lucky enough to sell our inventory before the law went into effect."

But a Payless Cashways store manager said the law may mean the store will sell a higher priced product.

"We did quite a bit of business with wood shingles," said Dave Nichols, of the Payless Cashways unit. "We had good inventory turns on those products, so I just guess it will mean we'll find some of the fire-treated products.

"I'm not too surprised by this law, though. We had several large houses that burned to the ground this year."

The Plano City Council, representing a town of 115,000 people just north of Dallas, voted last month to outlaw the use of wood shingles that do not meet a Class-C fire retardant requirement.

A Class-C fire rating purportedly means that a roof will not catch fire if ambers from a separate burning structure are blown onto it. Similarly, a Class-C roof will not produce windblown ambers if a fire works its way to the roof.

Along with Dallas, Houston and Richardson, Plano becomes the 51st city in Texas to prohibit the use of untreated shingles in the past eight years, according to a group that has a lot to gain from the measure, the Asphalt Roofing Manufacturers Association (ARMA). Despite the bans, Texas still uses more wood shingles, treated and untreated, annually than any other state.

Mike Westfall, manager of the Red Cedar Shingle & Handsplit Shake Bureau, condemned the law, arguing that such bans usually prompt competing roof product manufacturers and retailers to raise their prices for extra margin.

"In addition to the price rise for competing materials like tile and composition shingles, people begin using low grade asphalt roofs and then we're talking about downturn in the desirability of the neighborhood," Westfall said.

In addition, Westfall said the wood shingle roofs were unfairly singled out by city fire administrators who, he said, have been unable to maintain adequate fire fighting forces which have been depleted in Plano and other Texas cities as the result of a recession.

MERCHANDISING

Designers list consumer preferences in new kitchens and baths

Charts show percent of designers responding

CONSUMER CONCERNS	
Ease of care	58%
Durability	58%
Color	57%
Cost of material	44%
Resale value	42%
Versatility	40%
Installation cost	31%

FAVORITE BATH COLORS	
Pastels	57%
Neutrals	27%
Earth tones	24%
White	23%

KITCHENS	
Neutrals	34%
Pastels	31%
White	30%
Earth tones	28%

Source: Tile Council of America

NHCN chart

Survey says trend toward bigger kitchens and baths will continue

By an NHCN staff editor

NATIONAL REPORT — If the prognostications of designers are correct, both kitchens and baths will get bigger over the next five years.

That may surprise some observers since kitchens and baths have been expanding in the past several years and there may be a perception that it's time for the trend to end.

Yet, the Tile Council of America, using data from a survey conducted during the recent Kitchen and Bath Industry Show in Atlanta, found that designers feel the expansion trend should continue. The show was sponsored by the National Kitchen and Bath Association, (NKBA).

"Many home design trends fade quickly," said NKBA president Francis Jones, in a prepared statement.

"But this trend, which started a few years ago, seems to be gaining momentum."

The survey showed 86 percent of responding designers, distributors, contractors and retailers felt bathrooms would grow in size in the next five years.

More features

Nearly three-quarters of the respondents said the same about kitchens.

The survey also asked attendees what features they expect will increase in popularity with consumers by the year 2000.

Close to half the respondents cited exercise equipment, separate shower and tub areas, electronic equipment such as telephones and intercoms, saunas and steam rooms, and bathrooms that open to other rooms.

About 30 percent of respondents said accommodations for the elderly and handicapped would become more popular; less than 20 percent said antique fixtures would rise in popularity.

The same respondents were asked what features they felt would be more popular by 2000.

More than three-fifths said larger rooms. More than half said high-tech fixtures and appearances.

About 40 percent cited electronic equipment such as telephones and intercoms, and about the same percentage said table islands in kitchens would increase in popularity.

Favorite colors

A fifth of the respondents said exterior facing kitchens would become more popular, while only 15 percent said interior facing kitchens would increase in popularity.

Pastels were the favorite colors in bathrooms. Some 55 percent of respondents said pastels would increase in popularity over the next five years.

Less than a third of respondents pointed to other colors such as neutrals, earth tones and whites.

In kitchens, some 34 percent of respondents said neutral colors would become more popular. In declining order, respondents also cited pastels, whites and earth tones.

According to the survey, it seems that ease of maintenance tops the list of concerns consumers have about kitchens and baths; 58 percent said it is the consumer's greatest concern.

About the same percentage cited durability, and color.

Only 44 percent cited costs of materials, while 42 percent cited increased retail value. Some 40 percent felt versatility was of greatest concern to consumers.

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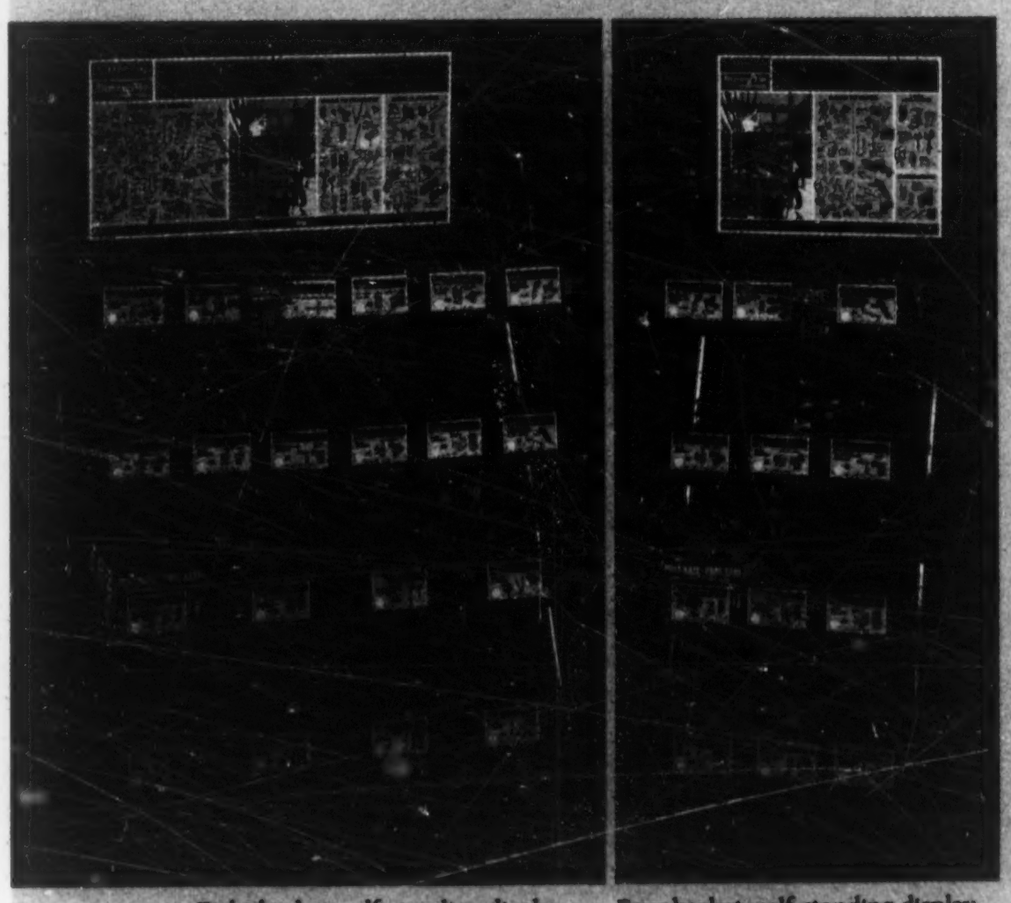
Typical twelve foot gondola display.



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Simpson Strong-Tie 4-color literature uses consumer-friendly illustrations and copy to help both your sales personnel and customers to better understand and use Strong-Tie wood-to-wood and wood-to-concrete connectors. Available literature includes product use guides and DIY project folders illustrating Strong-Tie products in use and installation details.

For more information about the Simpson Strong-Tie "No Equal" dealer program, contact your Simpson Strong-Tie distributor or sales representative.

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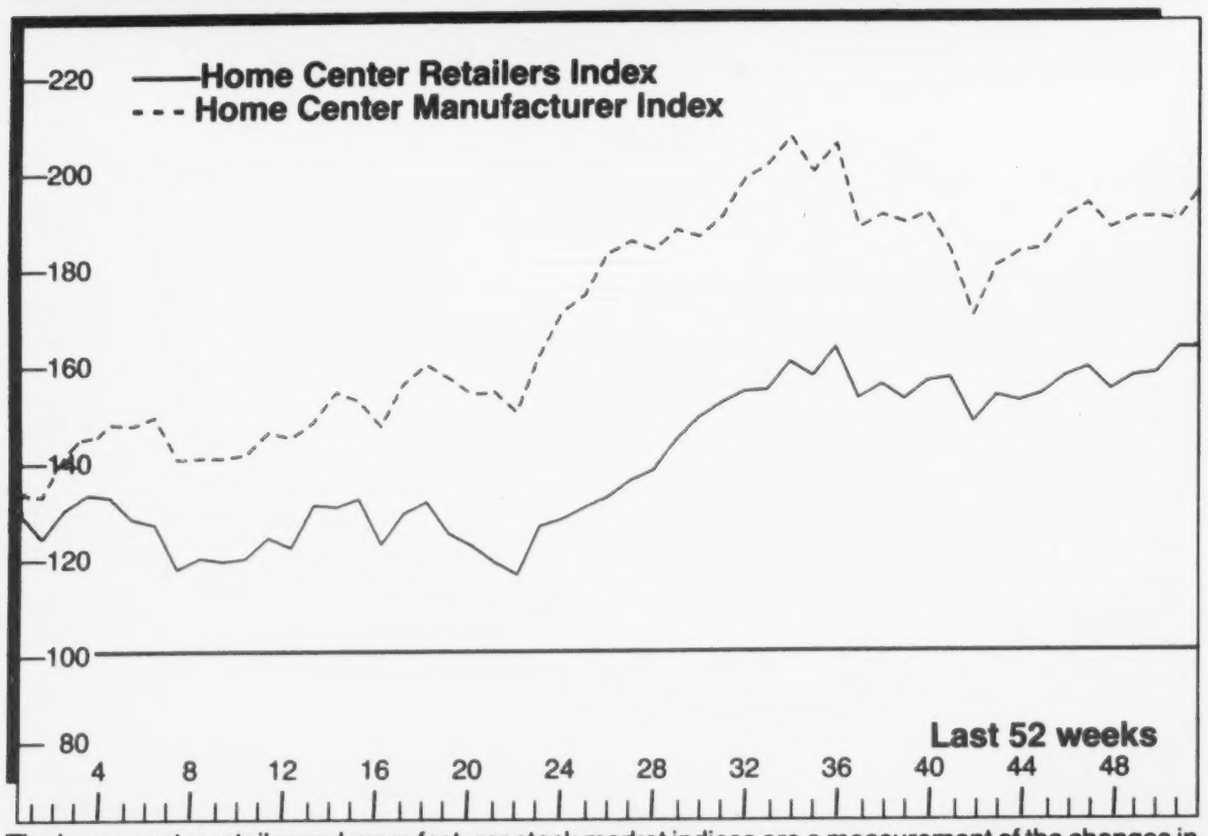
FINANCIAL NEWS

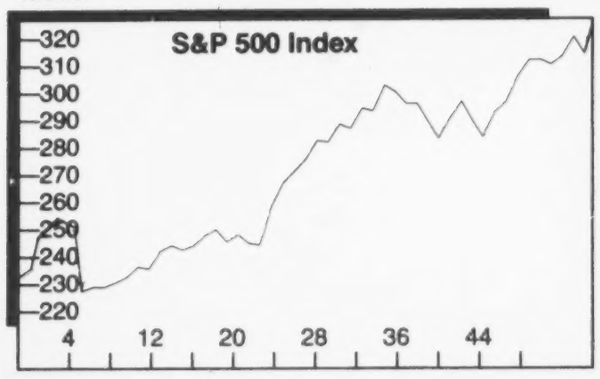


The home center retailer and manufacturer stock market indices are a measurement of the changes in aggregate market value compared to their value on August 7, 1987, which has been set to equal 100 on the index. Aggregate market value is the sum of each stock's price multiplied by its number of shares outstanding, adjusted to eliminate the effects of additions or deletions of companies to the *NHCN* stock list.

MOST ACTIVE STOCKS

Company & Market		Total 2-Week Volume	Volume Trend Change	2-Week Price Change
8-7-87		(100)	%	%
Macmillan Bloedel	M	42,747	467.6	5.4
Ply-Gem	A	4,210	344.9	13.3
Std Brd Prt	N	28,417	340.8	9.1
Natl Lumber	M	793	327.3	15.8
Am Standard	N	17,647	324.8	3.9
Waxman Ind	M	2,278	309.4	19.7
Natl Hardgoods	M	613	295.2	13.3
Scotty's Inc	N	2,888	270.4	4.4
Strober Organiz	M	1,991	260.9	- 2.1
Armstrng Wrld	N	29,322	255.7	12.2

The Volume Trend Change is the per cent difference between the latest 2-week average volume and the previous 12-week average volume.*



PRICE MOVEMENT

Winners Company & Market		2-Weeks Ended 8-7	2-Week Price Change	Total 2-Week Volume
8-7-87		$	%	(100)
Waxman Ind	M	11.38	19.7	2,278
Potlatch Cp	N	36.75	19.0	8,635
Home Depot	N	39.88	16.4	13,598
Natl Lumber	M	5.50	15.8	793
Pope & Talbot	N	23.13	15.6	3,581
Wolohan Lumber	M	16.75	14.5	2,886
Weyerhaeuser	N	54.75	13.8	55,138
Ply-Gem	A	17.00	13.3	4,210
Natl Hardgoods	M	8.50	13.3	613
Union Camp	N	45.00	13.2	29,726
Losers		$	%	(100)
Clairson Intl	M	10.38	- 9.8	3,340
Am Woodmark	M	14.75	- 3.3	897
Pay n Pak	N	20.13	- 3.0	1,456
Strober Organiz	M	11.75	- 2.1	1,991
Mor-Flo Inds	M	12.00	- 2.0	126
Hughes Supply	N	27.38	- 1.8	577
Supermkts Gen	N	39.25	- 1.6	5,998
Lewis Palmer	M	8.63	- 1.4	1,449
Newell Co	N	37.75	- .7	2,399
K mart Cp	N	45.13	- .3	53,960

National Home Center News

HOME CENTER MARKET SUMMARY

Company and Market		Stock Market: Price: 2-Weeks Ended 8-07-87	2-Weeks Change: Amt.	2-Weeks Change: Pct.	2-Week Range: High	2-Week Range: Low	52-Week Range: High	52-Week Range: Low	Volume: 2-Weeks Shares Traded: Total	Volume: 2-Weeks Shares Traded: % Out	Volume: 12-Week Avg. Vol. As % Out	Volume Trend Change	Financial Update: P/E Ratio	Indicated Divd. Rate: Amt.	Indicated Divd. Rate: Yld.	Latest Report: New Report	Latest Report: Period	Latest Report: Date Ended	Latest Quarter: Revenue: Amt.	Latest Quarter: Revenue: Chg.	Latest Quarter: Net Income: Amt.	Latest Quarter: Net Income: Chg.	Latest Quarter: E.P.S.: Amt.	Latest Quarter: E.P.S.: Chg.	Year-to-Date: Revenue: Amt.	Year-to-Date: Revenue: Chg.	Year-to-Date: Net Income: Amt.	Year-to-Date: Net Income: Chg.	Year-to-Date: E.P.S.: Amt.	Year-to-Date: E.P.S.: Chg.
-		$	$	%	$	$	$	$	(100)	%	%	%	-	$	%	-	-	-	$Mil	%	$Mil	%	$	%	$Mil	%	$Mil	%	$	%
Retailers																													
Grossman's Inc	M	9.00	.13	1.4	9.13	8.63	11.25	6.75	21,968	10.98	3.58	206.7	NE	.00	.0	.....	6 mos.	06-87	310.7	32.3	8.2	NE	.41	NE	502.7	7.0	1.7	NE	.09	NE
Hechinger A	M	24.50	.50	2.1	24.63	22.25	24.63	16.00	5,227	4.78	2.88	66.0	NA	.16	.7	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Hechinger B	M	24.50	.50	2.1	24.50	22.75	24.75	16.25	745	.45	.32	40.6	24.5	.06	.2	.....	3 mos.	04-87	164.8	20.4	7.6	55.1	.24	50.0	164.8	20.4	7.6	55.1	.24	50.0
Home Depot	N	39.88	5.63	16.4	40.00	34.13	40.00	16.50	13,598	4.89	2.47	98.0	35.3	.02	.1	.....	3 mos.	04-87	334.0	50.0	12.8	151.0	.43	115.0	334.0	50.0	12.8	151.0	.43	115.0
INTERCO Inc	N	52.38	2.25	4.5	53.13	49.50	53.13	36.63	6,827	2.39	2.09	14.4	15.9	1.60	3.1	.....	3 mos.	05-87	781.4	34.9	26.5	84.0	.62	34.8	781.4	34.9	26.5	84.0	.62	34.8
K mart Cp	N	45.13	- .13	- .3	46.75	44.38	46.75	28.84	53,960	2.70	1.40	92.9	14.7	1.16	2.6	.....	3 mos.	04-87	5594.4	7.3	115.5	26.1	.57	21.3	5594.4	7.3	115.5	26.1	.57	21.3
Lowe's Cos	N	28.75	2.00	7.5	29.13	26.13	32.75	22.50	13,754	3.47	1.46	137.7	20.1	.44	1.5	.....	3 mos.	04-87	569.2	6.6	12.9	13.2	.33	6.5	569.2	6.6	12.9	13.2	.33	6.5
Natl Hardgoods	M	8.50	1.00	13.3	8.75	7.75	10.00	6.88	613	4.98	1.26	295.2	12.1	.00a	.0	.....	3 mos.	04-87	8.8	35.4	.0	NC	.03	.0	8.8	35.4	.0	NC	.03	.0
Natl Lumber	M	5.50	.75	15.8	5.75	4.75	7.50	4.00	793	1.41	.33	327.3	NE	.00	.0	.....	*	04-87	NC	NC	NC	NC	NC	NC	38.2	NC	.1	NC	.01	NC
Pay n Pak	N	20.13	- .63	- 3.0	21.00	20.00	21.50	9.50	1,456	1.46	6.88	- 78.8	25.8	.40	2.0	.....	3 mos.	05-87	115.4	9.8	4.4	91.3	.44	91.3	115.4	9.8	4.4	91.3	.44	91.3
Payless Cash	N	24.38	1.50	6.6	24.50	22.75	26.88	15.88	12,669	3.66	1.89	93.7	19.2	.16	.7	.....	6 mos.	05-87	489.8	14.2	16.2	3.8	.47	4.4	821.9	16.9	19.7	9.4	.57	9.6
Scotty's Inc	N	14.88	.63	4.4	15.88	14.00	15.88	12.00	2,888	2.00	.54	270.4	20.1	.52	3.5	.....	9 mos.	03-87	134.6	4.8	3.0	- 26.8	.21	- 25.0	378.9	5.5	7.0	- 27.8	.48	- 28.4
Sears, Roebuck	N	55.13	3.50	6.8	55.88	51.38	56.00	39.00	71,965	1.91	.99	92.9	13.4	2.00	3.6	NEW	6 mos.	06-87	11718.0	9.0	390.4	37.0	1.03	33.8	22198.0	10.2	678.3	41.3	1.78	38.0
Std Brd Prt	N	31.63	2.63	9.1	31.88	29.63	31.88	20.50	28,417	25.30	5.74	340.8	23.8	.60	1.9	.....	fiscal	01-87	73.7	2.9	2.7	68.8	.24	71.4	326.6	- 3.4	15.0	- 5.1	1.33	- 5.0
Strober Organiz	M	11.75	- .25	- 2.1	12.25	11.00	15.25	10.50	1,991	3.32	.92	260.9	11.8	.00	.0	.....	3 mos.	03-87	21.3	19.0	1.0	42.9	.17	21.4	21.3	19.0	1.0	42.9	.17	21.4
Supermkts Gen	N	39.25	- .63	- 1.6	40.00	38.75	46.75	22.50	5,998	1.56	1.64	- 4.9	25.7	.28	.7	.....	3 mos.	04-87	1401.1	4.8	10.4	- 15.4	.27	- 20.6	1401.1	4.8	10.4	- 15.4	.27	- 20.6
Wickes Cos	A	4.25	.00	.0	4.38	4.00	5.63	3.13	50,531	2.11	1.71	23.4	7.1	.00	.0	.....	3 mos.	04-87	1540.4	54.8	82.7	426.8	.34	1600.0	1540.4	54.8	82.7	426.8	.34	1600.0
Wolohan Lumber	M	16.75	2.13	14.5	17.13	14.75	16.75	7.50	2,886	4.92	1.68	192.9	13.6	.20	1.2	NEW	6 mos.	06-87	64.6	17.2	2.6	44.4	.43	43.3	105.6	26.9	3.6	111.8	.61	117.9
Zayre Corp	N	30.88	.88	2.9	31.00	29.00	32.88	20.75	47,781	8.10	5.26	54.0	18.9	.40	1.3	.....	3 mos.	04-87	1295.8	24.1	21.0	25.7	.36	28.6	1295.8	24.1	21.0	25.7	.36	28.6
Wholesalers																														
Hughes Supply	N	27.38	- .50	- 1.8	28.50	26.75	28.50	20.63	577	1.75	.71	146.5	12.7	.40	1.5	.....	3 mos.	04-87	95.8	9.6	2.0	25.0	.58	9.4	95.8	9.6	2.0	25.0	.58	9.4
Moore Handley	M	8.50	.75	9.7	8.50	7.75	15.00	6.75	738	2.96	1.50	97.3	19.3	.00	.0	.....	6 mos.	06-87	23.4	14.1	.4	.0	.14	- 6.7	47.0	14.9	.7	.0	.28	- 20.0
Lewis Palmer	M	8.63	- .13	- 1.4	9.00	8.50	9.88	7.25	1,449	3.62	1.62	123.5	21.6	.28	3.2	.....	3 mos.	04-87	52.9	56.5	.3	200.0	.09	350.0	52.9	56.5	.3	200.0	.09	350.0
Stanline Inc	M	13.25	.75	6.0	13.75	12.50	13.75	8.00	537	3.16	1.75	80.6	12.5	.32b	2.4	.....	6 mos.	04-87	17.3	23.6	.6	100.0	.30	42.9	31.3	14.2	.9	50.0	.50	38.9
Manufacturers																														
Am Consum Prods	M	13.75	1.25	10.0	14.25	13.75	14.25	8.50	305	1.47	2.71	- 45.8	20.5	.00	.0	NEW	6 mos.	06-87	10.5	20.7	.4	100.0	.20	5.3	19.7	18.7	.7	250.0	.34	61.9
Am Standard	N	50.38	1.88	3.9	52.00	48.50	52.00	36.00	17,647	5.48	1.29	324.8	13.5	1.80	3.6	NEW	6 mos.	06-87	878.1	12.0	39.2	- 51.1	1.24	- 41.8	1657.8	13.5	60.8	- 53.3	1.89	- 44.9
Am Woodmark	M	14.75	- .50	- 3.3	15.13	14.75	17.13	10.00	897	1.30	.59	120.3	14.6	.00	.0	.....	fiscal	04-87	29.3	20.1	1.5	25.0	.22	- 4.3	115.8	18.9	6.8	51.1	1.01	12.2
Armstrng Wrld	N	43.75	4.75	12.2	47.25	38.75	47.25	24.88	29,322	6.19	1.74	255.7	15.1	.90	2.1	NEW	6 mos.	06-87	596.6	22.5	41.1	21.6	.87	24.3	1137.7	23.9	73.0	28.7	1.54	30.5
Black & Decker	N	26.13	.38	1.5	26.38	25.00	26.38	15.25	21,529	3.71	2.39	55.2	36.3	.40	1.5	.....	9 mos.	06-87	465.0	11.6	9.0	221.4	.15	400.0	1432.7	5.9	40.6	60.5	.69	50.0
Boise Cascade	N	80.38	8.38	11.6	80.50	71.50	86.88	51.50	17,271	5.93	2.05	189.3	20.7	1.90	2.4	NEW	6 mos.	06-87	936.0	.0	35.2	12.5	1.16	8.4	1848.2	.2	75.4	33.9	2.47	30.0
Certain-teed	N	43.63	2.88	7.1	43.63	40.75	43.63	26.88	1,957	1.03	.62	66.1	13.8	1.00	2.3	.....	6 mos.	06-87	290.7	1.6	14.8	- 8.6	.77	- 9.4	557.5	3.0	29.3	9.7	1.54	9.2
Champ Intl	N	39.75	4.38	12.4	40.13	35.13	43.50	23.25	43,754	4.64	2.13	117.8	11.0	.64	1.6	.....	6 mos.	06-87	1161.0	5.9	155.7	208.3	1.64	221.6	2258.2	1.8	211.2	191.3	2.23	214.1
Clairson Intl	M	10.38	- 1.13	- 9.8	11.25	10.00	18.25	10.00	3,340	6.56	2.94	123.1	24.1	.00	.0	NEW	9 mos.	06-87	18.6	30.1	.5	.0	.08	- 38.5	53.8	26.0	1.5	7.1	.30	- 21.1
Cooper Indus	N	68.88	4.88	7.6	69.13	63.88	69.13	37.75	17,578	3.54	1.48	139.2	21.4	1.68	2.4	NEW	6 mos.	06-87	895.2	- .6	45.4	23.7	.91	19.7	1695.7	- 4.1	73.0	16.8	1.47	14.0
DeSoto Inc	N	40.38	1.25	3.2	40.38	39.00	43.75	34.25	305	.77	.80	- 3.8	25.9	1.40	3.5	.....	6 mos.	06-87	118.7	- 9.7	6.8	38.8	1.73	69.6	209.0	- 8.5	9.0	23.3	2.27	48.4
Emhart Corp	N	51.00	4.88	10.6	51.25	45.50	51.25	30.75	7,191	2.31	.83	178.3	NM	1.60	3.1	.....	6 mos.	06-87	629.0	19.2	28.8	37.8	.92	29.6	1231.6	18.7	56.8	42.0	1.82	30.9
Georgia Pacific	N	46.00	4.13	9.9	46.50	41.88	52.75	29.75	67,588	6.11	2.21	176.5	12.4	1.00	2.2	.....	6 mos.	06-87	2095.0	8.6	148.0	72.1	1.35	70.9	3950.0	11.8	228.0	96.6	2.06	98.1
Insilco Corp	N	23.25	.00	.0	23.63	22.25	26.25	18.31	5,746	2.76	1.14	142.1	14.7	1.00b	4.3	.....	6 mos.	06-87	172.9	- 12.3	10.6	- 7.8	.50	- 9.1	348.6	- 7.6	18.4	.5	.87	.0
La Pacific	N	32.38	1.63	5.3	33.50	30.50	39.63	23.06	28,331	7.40	2.11	250.7	13.4	.80b	2.5	.....	6 mos.	06-87	488.8	24.1	34.8	42.0	.91	40.0	911.7	27.2	51.1	97.3	1.34	94.2
Macmillan Bloedel	M	21.88	1.13	5.4	22.50	19.75	22.38	8.44	42,747	4.20	.74	467.6	NA	.68	NA	NEW	6 mos.	06-87	806.8	15.5	74.6	51.9	.68	58.1	1526.2	16.3	135.0	72.4	1.22	84.8
Manville Cp	N	4.00	.00	.0	4.13	3.75	5.38	1.63	14,145	5.89	5.00	17.8	.9	.00	.0	.....	6 mos.	06-87	517.9	5.6	41.1	63.1	1.46	84.8	992.9	4.9	84.0	125.8	2.98	189.3
Masco Corp	N	36.00	2.25	6.7	37.00	33.88	40.88	23.50	29,414	2.22	.90	146.7	20.8	.40	1.1	NEW	6 mos.	06-87	489.0	49.5	65.8	27.5	.50	25.0	939.0	47.9	121.3	25.4	.92	22.7
Mor-Flo Inds	M	12.00	- .25	- 2.0	12.25	11.75	15.00	11.50	126	.50	.40	25.0	41.4	.01	.1	.....	3 mos.	03-87	55.5	5.9	.6	- 14.3	.25	- 10.7	55.5	5.9	.6	- 14.3	.25	- 10.7
Newell Co	N	37.75	- .25	- .7	39.13	37.50	39.75	24.00	2,399	2.09	1.13	85.0	16.3	.84	2.2	.....	6 mos.	06-87	94.7	- .4	6.5	27.5	.54	17.4	196.0	3.4	12.6	37.0	1.05	16.7
Nortek Inc	N	14.00	.25	1.8	14.63	13.63	17.38	11.75	4,446	2.74	1.00	174.0	11.3	.10	.7	NEW	6 mos.	06-87	333.0	48.8	2.0	- 81.8	.13	- 87.7	623.4	61.0	11.2	- 45.9	.70	- 65.2
Owens Corn	N	25.75	2.13	9.0	26.75	23.25	32.38	8.88	24,817	6.62	3.93	68.4	NA	.00	.0	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Ply-Gem	A	17.00	2.00	13.3	17.63	14.88	18.13	10.00	4,210	5.25	1.18	344.9	17.9	.12	.7	.....	3 mos.	03-87	70.6	39.5	3.3	65.0	.29	11.5	70.6	39.5	3.3	65.0	.29	11.5
Pope & Talbot	N	23.13	3.13	15.6	23.25	19.88	24.50	8.88	3,581	2.98	1.11	168.5	10.5	.44	1.9	NEW	6 mos.	06-87	106.3	39.7	7.2	100.0	.60	93.5	206.6	37.5	13.9	348.4	1.15	342.3
Potlatch Cp	N	36.75	5.88	19.0	37.25	30.50	41.88	25.75	8,635	3.23	1.42	127.5	13.4	.84	2.3	.....	6 mos.	06-87	243.9	- 2.4	22.3	14.4	.80	14.3	492.5	1.9	40.1	21.1	1.43	21.2
PPG Inds	N	48.63	1.50	3.2	51.00	46.38	53.50	30.13	30,219	2.53	1.33	90.2	17.4	1.08	2.2	.....	3 mos.	03-87	1260.8	10.9	86.9	25.6	.73	23.7	1260.8	10.9	86.9	25.6	.73	23.7
Sherwin-Wms	N	35.00	1.63	4.9	35.25	32.75	38.50	22.75	11,156	2.51	.85	195.3	14.5	.56	1.6	NEW	6 mos.	06-87	491.6	13.8	32.4	- 8.0	.72	10.8	872.1	14.1	40.6	- 3.6	.90	12.5
Stanley Works	N	34.00	2.50	7.9	34.50	31.63	35.88	23.84	4,140	.97	.52	86.5	17.0	.76	2.2	NEW	6 mos.	06-87	433.5	7.7	23.2	13.2	.54	10.2	850.3	17.0	42.4	20.5	.98	16.7
Thos Inds	N	20.63	1.25	6.5	20.63	18.88	22.63	15.50	796	.80	.34	135.3	14.7	.68b	3.3	NEW	6 mos.	06-87	80.3	4.2	4.8	11.6	.48	14.3	159.0	7.5	8.6	14.7	.86	14.7
Triangle Ind	N	40.75	1.38	3.5	41.50	39.25	41.50	23.13	6,445	2.67	1.72	55.2	16.2	.12	.3	NEW	6 mos.	06-87	1189.2	71.3	38.1	95.4	1.30	- 10.3	2101.4	78.4	44.4	95.6	1.50	- 3.2
Union Camp	N	45.00	5.25	13.2	45.50	38.75	48.19	30.34	29,726	4.04	1.39	190.6	19.3	1.16	2.6	NEW	6 mos.	06-87	577.6	15.7	47.8	67.1	.65	66.7	1114.6	12.1	92.0	81.8	1.25	81.2
USG Corp	N	39.63	3.63	10.1	41.38	36.00	46.50	31.00	27,921	5.46	1.68	225.0	9.1	1.12	2.8	NEW	6 mos.	06-87	726.3	- 3.5	58.1	- 23.8	1.13	- 1.7	1419.5	3.3	143.1	11.9	2.78	41.8
Walter, Jim	N	60.13	1.63	2.8	62.38	58.13	62.38	32.41	57,883	14.58	4.14	252.2	17.2	1.20	2.0	.....	9 mos.	05-87	610.4	- 2.6	46.7	21.3	.60	- 53.5	1719.8	.8	112.6	27.2	2.22	- 8.6
Waxman Ind	M	11.38	1.88	19.7	11.75	9.63	13.25	6.34	2,278	3.48	.85	309.4	15.8	.08	.7	NEW	9 mos.	03-87	31.0	22.5	.9	28.6	.15	- 34.8	84.7	20.8	2.5	38.9	.40	- 31.0
Weyerhaeuser	N	54.75	6.63	13.8	55.00	47.75	60.00	32.00	55,138	4.07	1.70	139.4	21.7	1.30	2.4	NEW	6 mos.	06-87	1769.2	18.2	89.2	30.4	.63	37.0	3386.5	20.8	191.1	61.4	1.38	79.2

All Data are based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

Reporting period
3 mos.—First quarter of fiscal year
6 mos.—First six months of fiscal year
9 mos.—First nine months of fiscal year
Fiscal—Fiscal year
NEW—New report since last issue

Last 52 Weeks

General Field Footnotes
NA—Not available or not applicable
NC—Data required for calculation currently incomplete in our files
NE—Negative earnings invalidate calculations
NM—No meaningful figure
a—Under dividend amount, indicates a stock dividend
b—Indicates cash plus stock dividend when applied to dividend amount column

P/E Ratio—Price/earnings ratio
E.P.S.—Earnings per share

Market
N—New York Stock Exchange
A—American Stock Exchange
O—NASDAQ Over-the-Counter
M—NASDAQ National Market

*Two-week average volume equals the number of shares traded divided by the number of shares outstanding during the latest two-week period. Twelve-week average volume equals the number of shares traded divided by the number of shares outstanding over the previous 12 weeks.

All earnings data and all related calculations using earnings data use primary earnings from total operations and after taxes. Earnings are before extraordinary items, when such items are applicable.

Data and Table Provided by Media General Financial Services Inc., Richmond, Va. 23219

Florida DIY hard goods mall to file for liquidation

(Continued from page 1)

"They opened with the intent of operating a good business," said Howard Alabaster, HOME's attorney who expected to file the petition the week of August 10.

The decision to liquidate—which Alabaster attributed to the unavailability of bank financing and inadequate private investment which left HOME with "no alternative"—came just three weeks after HOME's Coral Springs store opened. It prompted one local newspaper to quip that "Even bad, off-Broadway shows run longer."

Walter Bozdek, the founder and president of HOME who was a former store layout designer for Mr. HOW, did not return several messages left by *NHCN* with his home's answering machine. Earl Aaronson, senior vp, deferred all questions to Alabaster.

Vendors, investors and others knowledgeable about HOME's operations asserted that HOME has no known assets and owes some 400 suppliers about $2 million.

These same sources, most speaking on the condition they not be named, alleged that HOME's officials indulged in a string of improprieties and confusing business maneuvers that have cloaked the bankruptcy in mystery.

"Thorough disgust sums up my feelings about what went on there," said Tom Grelich, a 30-year industry veteran and a key merchandise director at HOME who was one of several company officials bolting HOME after discovering what they allege to be murky corporate strategies and delinquent bill paying.

In its conception, HOME was original: a mall environment where a variety of home improvement-related specialty stores would operate.

And through a private stock placement (which investors bought 600 shares of preferred stock at $46 a share and 10,000 shares of common at a penny a share) HOME raised about $850,000 for start-up costs. HOME intended eventually to go public and initially offer its common stock at between $5 and $10 per share.

Investors—several of whom claiming they were enticed into the deal by Florida manufacturers reps who were enthusiastic about HOME's prospects—admitted to *NHCN* that in HOME they saw another Home Depot, and were not going to let this opportunity slip through their fingers.

"Our owner 10 years ago had a chance to be the initial ceiling fan supplier for Home Depot and to become one of its initial investors but passed on it," said Timothy Mahoney, national sales manager for Enco, Fort Worth, Texas. 'We felt the HOME situation could prove to be a good investment."

But vendors and investors interviewed this month broached questions over the way HOME tendered its stock; represented its financial condition to investors; transferred unpaid-for merchandise between stores; and presented the intent—ultimately jettisoned—by a Canadian firm to purchase HOME.

While details about HOME's management competence and demise are sorted, the liquidation promises to be messy, with several vendors and investors expected to pursue legal remedies to recoup their losses.

Angelo Brothers Lighting, Philadelphia, has hired a Florida law firm to help recover some of the $40,000 to $50,000 in merchandise it shipped.

Robert Lieberman, president of Moss Fans in Deerfield Beach, Fla., shipped HOME only on consignment with the understanding that his firm be paid daily. Even with this arrangement, his company stands to lose at least $20,000.

"I won't deny it, I made a bad business decision," said Lieberman. "But when a guy says he will pay you every day . . . It really makes a sad commentary."

"I thought [Walter] was sincere about making this business work," added Patrick McLaughlin, vp-marketing for Turco, the DuQuoin, Ill., barbecue grill vendor still owed around $150,000. "Now I don't know what to think."

Goodbuys' new store fills void

(Continued from page 3)

For example, customers can touch and feel dimmer switches and locksets displayed alongside the product. There is a working model of a garage door opener and special glass cupboard doors in the kitchen department show how storage items are fitted.

But the dazzle and excitement of the Goodbuys style is still there. Arresting mannequins with no upper bodies, clad in overalls and working boots, highlight endcaps and attract the store's customers to Goodbuys' 50,000 stock-keeping units.

Goodbuys' six-man visual display team needed all the flair they could muster to convert this former Two Guys store, vacant seven years.

The store has an odd layout formed from a combination of three buildings and a new addition. It has a long east-west aisle which connects a nine-foot-high ceiling section to the dramatic 35-foot-high warehouse area and a mezzanine.

The mezzanine was cut away to show an oak balcony and red trim visible from the rest of the store.Customers approaching by elevator or stairs can see the vivid red-checked backdrop of the new lifestyle and furniture section.

Vendors' operating margins rebound

(Continued from page 1)

Operating margins are rebounding significantly, and are projected to remain strong through the end of this year. Recent reports from Value Line showed a majority of such vendors should have operating margins higher this year than last.

"I was somewhat concerned going into the year, because economists were saying people were spending more than they could afford," said Ed Weadock, vp of marketing and sales at Cooper Group, Raleigh, N.C.

"But the concern never materialized," he added. "We haven't been experiencing a booming market, but we have seen steady growth."

Ronald F. Gilrain, vp of public affairs for Stanley Works, New Britain, Conn., added: "Our feeling is that the consumer is still out there spending, perhaps more judiciously than before."

Cars and home refinancing captured consumers' fancies last year. But "You can only buy so many automobiles," noted John C. Nicholls, Jr., treasurer at Masco Corp., the Taylor, Mich.-based conglomerate, who's more confident about the rest of the year than he was a few months ago.

Another factor impacting vendors' financial strength has been the cost-cutting drive by companies to bring their bottom lines up faster than revenues.

"Throughout the industry, there are increased cost cutting efforts," said Wayne Kemmerer, gm of the residential lighting division of Thomas Industries, Louisville, Ky.

However, not all market conditions are rosy, and commodities vendors were more subdued. They seemed to feel a softening in housing starts would result in a year only somewhat better than 1986, with demand for their product softening in the second half.

That comes in marked contrast to their experience in the first half, when production and shipments were both significantly higher than the same period in 1986.

Production increased 15 percent and shipments 12 percent during the first six months of 1987 for the 350 manufacturers belonging to the Western Wood Products Association, Portland, Oregon.

Production increased 8 percent for the 59 firms belonging to the American Plywood Association (APA), Tacoma, Wash. "There was a lot of enthusiasm in the industry until May, when interest rates jumped and there was a softening in the housing market," said Bob Anderson, APA's director of market research.

Goodbuys has deal with Kay's

(Continued from page 3)

covering department inside the Mr. Goodbuys store.

"Mr. Goodbuys recognized the tremendous potential of the site," said Steven Kolitch, owner of Kay's Home Centers. "We both agreed to cooperate and exploit the sales value of this location."

Kay's is already reaping the benefits of operating its 12,000-square-foot "Galley of Floors" inside this newest and largest Mr. Goodbuys store, which opened on July 29.

Kay's operates three checkout registers at the entrance to the department, and is given ad space inside Goodbuys' circulars, though prices are set by the chain.

Floor coverings has long been a strength at Kay's, which prior to 1965 was a floor specialty store.

It will broaden its own floor covering department and remodel its 50,000-square-foot store.

Kay's is dropping paint and hardware to make way for the expanded department.

National Home Center News (ISSN 0192-6772) is published biweekly, every other Monday, 26 times a year, beginning with the second Monday in January; by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022. Subscriptions are available at no charge to qualified retailers and wholesalers of lumber and building supplies and hardware. Paid subscriptions are available to nonqualifying retailers, manufacturers, other wholesalers, schools, libraries and all others at the rate of $45 per year (26 issues); $45 to Canada. Foreign subscription: Airmail only, $125 per year. Group rates are also available: (prices are per year), 1 to 4 copies, $45; 5 to 39, $41; 40 or more, $37. Single copy rate is $2 except first May issue (Annual Census) and first July issue (Consumer Attitude Study), $15 each.

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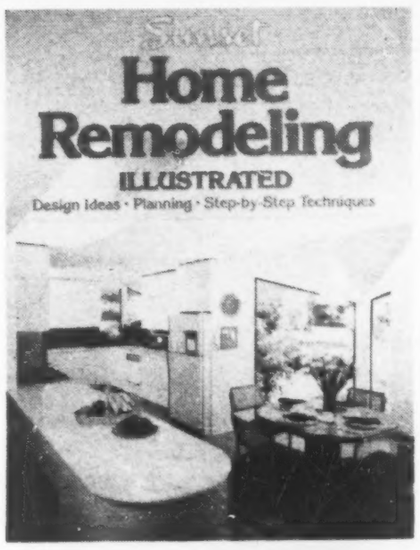

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National
Home Center News ®

Vol. 13, No. 18 $2 a copy The newspaper for retailers serving homeowners and contractors. Published by Lebhar-Friedman Inc. September 7, 1987

United Hardware Distributing
1986 Results
(millions of $)

Revenues	$90.7
Cost of goods sold	80.9
Operating expenses	7.1
Operating income	2.7
Member rebates	1.5
Net income	0.5
Long-term debt	6.5
Stockholders' equity	13.7
Retained earnings	4.7
Total assets	37.2

Numbers do not add due to rounding and exclusion of items.
Source: Dun & Bradstreet
NHCN chart.

Ace Hardware fires two key execs

By John Caulfield
NHCN staff editor

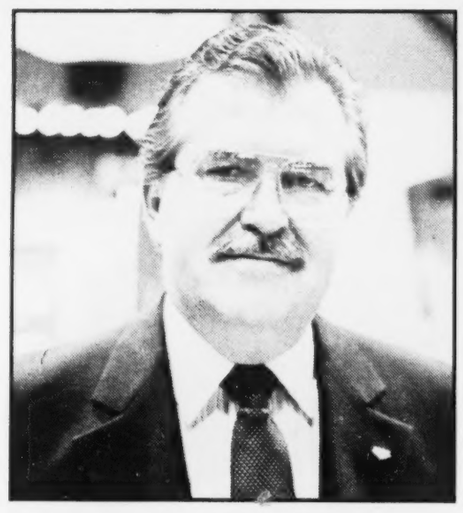
OAK BROOK, Ill. — Ace Hardware Corporation has fired two key executives for what company officials are calling "various serious violations of corporate policy."

Frank A. Szymanek, the hardware co-op's vp-merchandising and advertising and its fourth-ranking official, was terminated on August 18, as was Brent L. Brown, marketing and merchandise manager supervising Ace's import program. The decision was made that day after an emergency meeting of Ace's nine-man board of directors.

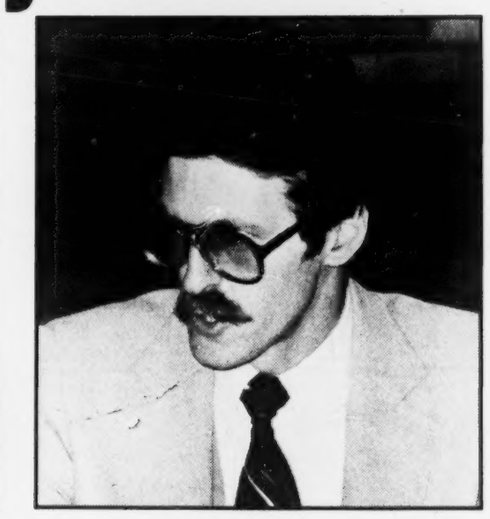
Both men reportedly were escorted out of Ace's headquarters here by the company's security police.

A spokesman for Ace, director of corporate communications John Cameron, noted that there were no criminal charges filed against either Szymanek or Brown. He added that Roger E. Peterson,

(Continued on page 86)



Frank A. Szymanek



Brent L. Brown

United/Pro signing boosts buying clout

By Phillip M. Perry
NHCN staff editor

MINNEAPOLIS — United Hardware Distributing, a dealer-owned buying group based here, became a member of Pro Hardware last month. The signing is expected to further both companies' efforts to buy merchandise more competitively.

The move appears to be the first time a dealer-owned co-op has joined a marketing and buying group composed of wholesalers. As such, it represents a break in the traditional Great Wall that has long separated the two channels of buying conducted by co-ops and their traditional rivals, independent wholesalers.

(Continued on page 88)

Illegal knockoffs fuel lawsuit frenzy in industry

By Ariane Sains
NHCN staff editor

NATIONAL REPORT — Whatever else John Treble expected to find in his morning mail, it wasn't a glue gun.

The gun looked like a Li'l Sticker, produced in Massachusetts by Parker Manufacturing Co., where Trebel is executive vp-marketing. It had the same directions as Parker's gun—verbatim—and identical wording on the package. There was just one difference. The gun sent to Trebel was made in Taiwan.

(Continued on page 87)

Feds predict decline in labor force growth

By Deane Evans
NHCN staff editor

WASHINGTON — U.S. Department of Labor economists predicted a severe slowdown in both population and labor force growth in the coming decade and warned employers that they must make changes or face costly worker shortages.

While researchers for the recently released "Workforce 2000" study focused predominantly on the impact of sluggish population growth on the work force, they also indicated that home center and other retailers face a negative effect on customer numbers and sales.

"Slower population growth will lead to less demand for population-sensitive products," including housing and household items carried by home centers, they predicted. Instead, U.S. consumers during the 1990s are expected to spend their disposable income (predicted to be up as much as 2.7 percent per year) on "income-sensitive" luxury items such as restaurant meals, tourism and travel.

In the study, Federal experts forecast that population growth will drop to just 0.7 percent per year during the 1990s, resulting in labor force expansion of only 1 percent annually to the year 2000. In contrast, population growth

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Florida dealer helps solve school shortage

Portable classrooms under construction at Causeway Lumber in Fort Lauderdale, Fla. Photo courtesy of Causeway

By Milford Prewitt
NHCN staff editor

FORT LAUDERDALE, Fla. — Causeway Lumber has entered into a lucrative deal as the main supplier of a contractor who has built some 200 portable elementary school buildings with materials supplied by the three-unit home center chain.

Causeway provided thousands of high-grade studs, exterior siding and subflooring for the school buildings that were needed to cope with the exploding population of Palm Beach County's elementary school age children.

Although Causeway can stock some 5 million square feet of lumber at any one time, the company was pressed to provide the builder with some unusually high-grade lumber products the company does not normally stock, but are called for by the Palm Beach County School board, according to Keith Hendee, Causeway's ad director.

The strict building regulations required Causeway to supply the builder—Padula Construction

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INSIDE

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Louisiana home builder spins off home center business 37

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Closet organizer makers expand their product lines 48

NEWSBREAKS

LONE STAR ACQUIRES WICKES UNITS: The Westlake Hardware subsidiary in San Antonio, Texas, will lease Allwoods Home Centers in Roswell and Hobbs, N.M., in a deal the closed August 20. The stores will be closed for remodeling and remerchandising, to reopen in October. In July, Lone Star commenced operation with the acquisition of four stores from Wickes. These units will be supplied by American Hardware Supply, which Westlake—an Ace Hardware member—has used for this venture.

INDUSTRY UPDATE

O'Malley closes on Sundays

PHOENIX — O'Malley Lumber Cos.' retail division has closed 12 of its 14 retail-oriented stores on Sundays as part of a test program during the summer months when business has historically been slowest in the desert chain.

Ad manager Perry Steinhoff (who left the chain on August 28) added that most stores—Building Materials Centers—have gone to shorter hours, closing at 6 p.m. instead of 7 p.m. on weekdays. Two high-traffic stores remain open until 8 p.m.

Its DIY business contribution varies between one-third and one-half of the company's sales volume. Steinhoff characterized the shorter hours as "just an experiment."

Even if the retailer loses a few customers, it would be on the impulse side of the business as opposed to the project-oriented, big-ticket sales which O'Malley now wants to emphasize, he explained.

National opens 1st unit in a year

MORENO VALLEY, Calif. — National Lumber was slated to open its 19th unit, a 57,000-square-foot unit in this fast-growing Riverside County suburb on August 28.

This is the first unit to open in the chain since the ill-fated San Bernardino unit opened in November 1985, only to be shuttered 10 months later. President Mel Jaffee said the Moreno Valley unit has "a different design and decor" than previous stores. The store is the first tenant of a major shopping center complex development, Jaffee added.

Jaffee said this was the only unit planned to open this year, with the next unit slated for February 1987 in San Diego County. He said National is negotiating for several sites in southern Orange County that could open in 1988.

Paint dealer debuts in San Diego

SAN MARCOS, Calif. — The Paint Factory, a specialty paint and home decorating chain now being developed, was slated to open its first unit on Labor Day in the San Diego County city of El Cajon.

The 35,000-square-foot store was formerly a Handyman unit. Negotiations are continuing on additional sites and company officials hope to have a total of three units open by year end *(NHCN*, March 23, 1987).

In a separate development, Dennis Schmidt, formerly data processing director for Handyman, has joined the firm as director of information systems.

The Paint Factory has established corporate headquarters in the San Diego County city of San Marcos.

Flashlight suit appeal pending

NATIONAL REPORT — A judge will hear arguments September 22 on whether Black & Decker must pay damages for patent infringement to First Alert.

First Alert, based in Aurora, Ill., was granted an injunction on July 24 against B&D enjoining the Towson, Md.-based tool supplier from using a switch patented by First Alert for rechargeable flashlights.

B&D is appealing the injunction. But it also said it has changed the design of the switch. "[The] products are no longer in production and no longer in our inventory," said Denis G. Heiner, president of B&D's Household Products Group, and says the injunction "in no way affects our dealers and customers."

However, First Alert president Fred Conforti said the court order applies not only to B&D but to "all persons in active concert and participation with it." B&D charged that First Alert is making "false or misleading statements" about the ruling and said it may seek an injunction.

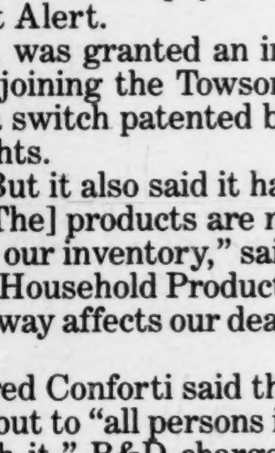
Stocks show strong growth

NEW YORK — Strong growth characterized a host of home center stocks during the two-week period that ended Aug. 21.

Of the 58 stocks tracked for *NHCN*, 37 gained in price, while 17 dropped. Four remained unchanged.

Wolohan Lumber gained 11.9 percent to $18.75. Grossman's increased 8.3 percent to $9.75. And Moore Handley increased 5.9 percent to $9.00.

Wickes Cos., which reverse-split its stock, dropped 13.5 percent to $18.38.



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Phoenix independent nurseries merge to form Garden West Dist.

By an NHCN staff editor

PHOENIX — Valley Garden Supply and Capitol Nursery Supply, each with revenues of $5 million last year, agreed last month to form a new corporation called Garden West Distributors.

The merger is intended to combine the talents of the personnel at the two companies, as well as improve return on inventories.

Additionally, the merger is intended to strengthen the firm's capabilities so it can more aggressively pursue the home center market.

Frank Kolley, president of the new firm, characterized Valley as "more promotion-minded" and Capitol as "more service oriented, and offering greater consistency." Putting the two firms together, he added, should create a much more powerful force in the marketplace.

Kolley was previously general manager of Valley. Hank Hemminghaus, formerly president of Capitol, and Bud Franklin, formerly vp of Capitol, are now both vps at Garden West. The merger is yet another event in a larger story of consolidation of wholesalers in other product categories, including the hardware and building materials fields.

Kolley said market conditions in the garden supplies field are similar to those in the hardware and building materials field. Wholesalers find themselves chasing business in a mature marketplace.

In its headquarters city, Kolley indicated that the Phoenix market "was super, but that has attracted a lot of attention, especially from California." The Home Depot has stores in the market, and Builders Square is expected to open units there as well, he said. Additionally, California wholesalers are becoming more aggressive selling to

(Continued on page 87)

Depot earnings jump 118% in 2nd qrtr.

By an NHCN staff editor

ATLANTA — The Home Depot has released second quarter results that show the company is on a continuing roll in 1987.

The chain reported revenues of $381.4 million for the three months that ended August 2. This reflected a 45 percent increase over the same period of 1986.

Earnings increased 118 percent to $15.6 million. That represented 4.1 percent of sales, a hefty improvement over the 2.7 percent of sales represented by net earnings in the second quarter of 1986.

Sales at units open one year or longer ("comparable stores") were up 20 percent. Such sales were up 21 percent for the six-month period.

The weighted average weekly store sales were $454,000 for the second quarter of fiscal 1987, up from $376,000 for the same period last year.

Earnings statement:	
Sales	$381.4
Gross profit	104.1
Operating expenses	75.3
Operating income	28.8
Interest expense	1.3
Net earnings	15.6
Balance Sheet:	
Long-term debt	$ 30.8
Equity	294.3

"We are particularly pleased with the earnings this quarter, which were generated by strong sales, together with better margin management and tight expense controls," said Bernard Marcus, chairman and chief executive officer, in a prepared statement.

Operating expenses of $75.3 million represented 19.7 percent of revenues for the second quarter. That was considerably better than the 21 percent of revenues that the $55.2 million represented for the same quarter in 1986.

Gross margins edged up slightly, to 27.3 percent, from 27.2 percent for the same quarter last year.

Another factor leading to the big earnings increase was a decline in interest expense. The company paid only $1.3 million in interest during the quarter. That was down from $3.3 million for the same quarter last year. This came about partly because the company converted some long-term debt to equity in the first quarter of 1987.

Following the conclusion of the firm's second quarter, the company opened two additional stores in central Florida to bring its store count to 67.

(Continued on page 86)

Suppliers continue to fight Fla. ad tax

By an NHCN staff editor

TALLAHASSEE, Fla. — Contrary to some national reports, the opposition by manufacturers to this state's controversial 5 percent tax on advertising does not appear to be waning.

In fact, several home improvement suppliers told *NHCN* in late August that they are continuing to fight against the tax. Florida retailers, though, appear to be less concerned about the tax's impact on their budgets.

The issue probably won't be resolved until the spring, as Florida Gov. Bob Martinez—a staunch tax proponent—has bowed to pressure from lawmakers and scheduled a mid-September special legislative session to decide if the tax will be placed on the March 8 Presidential primary ballot.

Between now and then, Florida's politicians can expect to hear from a number of home improvement suppliers.

"We do not support the tax," said James Mahoney, vp consumer business group for Rust-Oleum Corp., Vernon Hill, Ill., which was erroneously identified in *Advertising Age* as one of several companies that had reconsidered its ad pullout from the state. Mahoney said his firm is still assessing its 1988 ad budget allocation.

Joe Doherty, vp-marketing communications for Owens-Corning, Toledo, and board member for the Association of National Advertisers (ANA), said, "We're still angry about [the tax]." Owens-Corning and Armstrong World Industries are two of 22 companies involved in a lawsuit in July questioning the constitutionality of the tax.

Last month, the ANA ran a full-page ad in the *Wall Street Journal* and the *Tallahassee Democrat* asking Gov. Martinez and the legislature "to seek an alternative to the tax," while explaining the association's opposition to it.

That reconsideration is unlikely, though, in a state that constitutionally prohibits personal income taxes, and where the ad tax was expected to generate a $1 billion windfall to finance improvements in roads, schools and the like.

O-C, which advertises on

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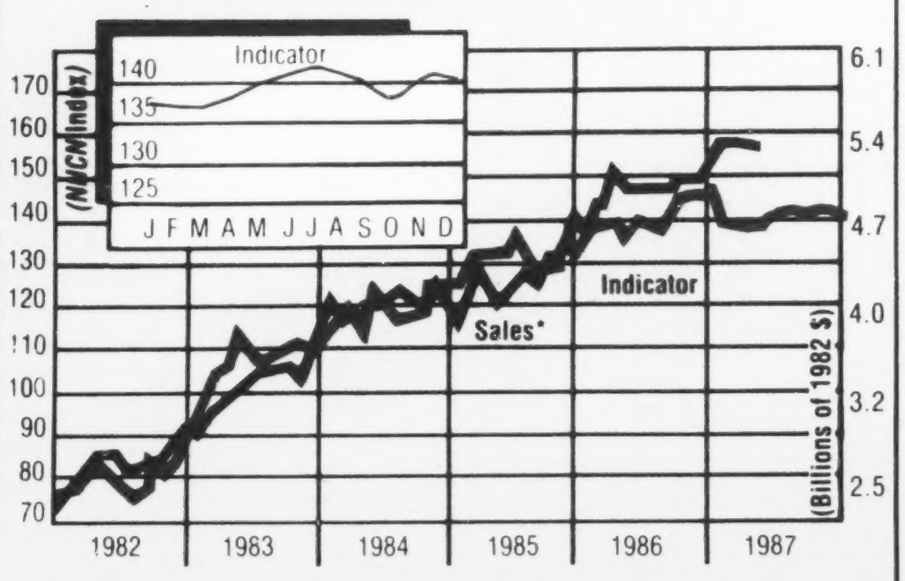
BUSINESS WATCH



*—Monthly retail trade building materials, hardware and supplies in (1982 $).
Indicator—represents an estimate of future building material retail sales (adjusted for inflation) relative to Jan. 1980, based on current levels of housing starts and resales, personal income, interest rates and related data.

The NHCN Leading Indicator is projecting a flattening in building material sales during the second half of 1987. Resales increased slightly in the second quarter, but the rise in mortgage rates suggests weakness in starts and resales ahead.

Building boom causes Calif. building material sales to soar

By Richard E. Mount
Special to NHCN

NEW YORK — California's building material sales growth is expected to outpace the United States' 7 percent rate, and increase by 12 percent this year, or 9 percent when adjusted for inflation.

The state's household growth, based on household demand, rose 14 percent during the 1980-1986 period, higher than the 11 percent average for the U.S. over the same time period. Basic economic measures show a similar pattern in employment, which is expanding by 3 percent in California and 2 percent nationwide.

California is in the midst of a building boom. Construction employment is 8 percent higher than last year, with San Diego and Los Angeles being two of the hot markets.

Richard E. Mount

But behind this surge in the cyclical building industry are strong sectors in trade (up 4 percent), finance (3 percent) and services (4 percent). The weak markets are manufacturing (up only 1 percent) and mining (off 5 percent). Even these latter markets have bright spots. Employment in high-tech faltered last year but is turning around. While comparison to a year ago is negative, it will be positive soon. Mining will recover as higher energy prices and lower drilling costs increase energy exploration.

(Continued on page 23)

Richard E. Mount is senior economist and manager of housing and construction material research for Merrill Lynch Economics.

Home Center Industry Regional Outlook

		1986				1987						
		QI	QII	QIII	QIV	QI	QII	QIII	QIV	1985	1986	1987
***NHCN* Leading Sales Indicator** (February 1980 = 100)		124.7	127.9	132.1	137.1	138.6	140.2	141.9	140.4	118.5	130.4	140.3
Building Material Retail Sales												
Current	**$ Millions SAAR Total United States**	63,708	64,396	62,956	64,584	69,660	68,376	72,672	74,559	55,695	65,529	71,317
	New England	3,012	3,270	3,435	3,488	3,727	3,610	3,830	3,907	2,597	3,301	3,768
	Middle Atlantic	7,468	7,896	7,956	8,274	8,875	8,738	9,280	9,484	6,427	7,899	9,094
	East North Central	9,864	11,647	11,365	11,627	12,399	12,150	12,928	13,279	10,081	11,126	12,689
	West North Central	3,938	4,423	4,600	4,610	4,904	4,752	5,036	5,152	4,114	4,393	4,961
	South Atlantic	14,006	13,410	12,099	12,405	13,821	13,709	14,622	15,016	11,135	12,980	14,292
	East South Central	3,717	3,800	3,665	3,549	3,901	3,904	4,208	4,339	3,104	3,683	4,088
	West South Central	8,328	7,653	7,057	7,052	7,642	7,446	7,856	8,060	7,320	7,523	7,751
	Mountain	3,660	3,308	3,352	3,508	3,769	3,672	3,888	4,004	2,956	3,457	3,833
	Pacific	9,715	8,988	9,427	10,071	10,623	10,393	11,024	11,318	7,827	9,550	10,840
Constant	**Millions $1982 SAAR Total United States**	59,719	62,132	59,866	60,242	64,420	63,039	65,750	66,200	52,663	60,490	64,852
	New England	2,823	3,155	3,266	3,254	3,446	3,328	3,465	3,469	2,463	3,125	3,427
	Middle Atlantic	7,000	7,618	7,566	7,718	8,207	8,056	8,396	8,421	6,096	7,476	8,270
	East North Central	9,246	11,238	10,807	10,845	11,467	11,202	11,697	11,790	9,564	10,534	11,539
	West North Central	3,691	4,267	4,374	4,300	4,535	4,381	4,556	4,574	3,903	4,158	4,512
	South Atlantic	13,129	12,939	11,505	11,571	12,781	12,639	13,229	13,333	10,562	12,286	12,995
	East South Central	3,484	3,666	3,485	3,310	3,608	3,600	3,807	3,853	2,944	3,487	3,717
	West South Central	7,807	7,384	6,711	6,578	7,067	6,865	7,108	7,156	6,944	7,120	7,049
	Mountain	3,431	3,192	3,187	3,272	3,485	3,385	3,518	3,555	2,804	3,271	3,486
	Pacific	9,107	8,672	8,964	9,394	9,824	9,582	9,974	10,049	7,425	9,034	9,857
Per Cent of U.S. Total												
Current	**Per Cent of U.S. Total ($Current) Total United States**	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
	New England	4.73	5.08	5.46	5.40	5.35	5.28	5.27	5.24	4.68	5.17	5.28
	Middle Atlantic	11.72	12.26	12.64	12.81	12.74	12.78	12.77	12.72	11.58	12.36	12.75
	East North Central	15.48	18.09	18.05	18.00	17.80	17.77	17.79	17.81	18.15	17.41	17.79
	West North Central	6.18	6.87	7.31	7.14	7.04	6.95	6.93	6.91	7.41	6.87	6.96
	South Atlantic	21.98	20.82	19.22	19.21	19.84	20.05	20.12	20.14	20.04	20.31	20.04
	East South Central	5.83	5.90	5.82	5.50	5.60	5.71	5.79	5.82	5.59	5.76	5.73
	West South Central	13.07	11.88	11.21	10.92	10.97	10.89	10.81	10.81	13.19	11.77	10.87
	Mountain	5.74	5.14	5.32	5.43	5.41	5.37	5.35	5.37	5.32	5.41	5.37
	Pacific	15.25	13.96	14.97	15.59	15.25	15.20	15.17	15.18	14.10	14.94	15.20
Industrial Production												
Index (1977 = 100)	Brick	90.3	91.1	94.0	96.3	98.1	96.9	95.7	94.9	88.5	92.9	96.4
	Cement	114.7	108.7	105.6	108.0	117.9	109.5	108.2	106.4	105.7	109.3	110.5
	Gypsum Wallboard	132.8	133.7	132.3	134.5	134.6	134.2	133.1	132.1	126.4	133.3	133.5
	Hardware	99.9	102.1	104.1	102.2	102.9	104.7	105.5	106.6	100.9	102.1	104.9
	Lumber Products	130.3	132.8	134.1	135.9	139.8	136.7	135.9	135.7	122.9	133.3	137.0
	Paint	101.1	103.0	100.2	96.4	100.0	98.9	104.4	105.2	101.9	100.2	102.1
	Plywood	154.5	161.4	164.3	166.8	175.6	156.2	158.4	157.6	138.7	161.8	162.0

Data: Department of Commerce
Bureau of Labor Statistics
National Association of Realtors
Department of Housing and Urban Development
August 21, 1987

The Home Center Industry Outlook runs in two parts, in alternate issues. The first part includes latest data on the General Economic Outlook; Residential Alterations & Repairs; and Retail Trade Activity. The second part includes latest data on regional building material & supply store sales; and industrial production. The *NHCN* Leading Indicator runs every issue.

SAAR—Seasonally Adjusted Annual Rate
p—projection
NHCN chart
Source: Merrill Lynch Economics for *NHCN*

BUSINESS WATCH

Building boom causes Calif. building material sales to soar

(Continued from page 18)

Strength in the state's economy comes from a variety of sources. California is best-positioned for the rising financial trade with Pacific nations. Los Angeles and, to a lesser extent in the past, San Francisco, are the major cities for these transactions. The decline in the dollar improves tourism, a major industry for the state. Defense spending may not be surging as in recent years but the level is still high, especially in San Diego, Los Angeles and San Francisco.

Resales surged in the second half of 1986, and jumped 19 percent for the full year, as second and investment homes were sold in order to take advantage of capital gains under the old tax law. While resales softened in the first quarter of 1987, they recovered sharply in the spring.

Resales will remain strong this year and next, as new homes become more expensive and less available. New home prices in California face higher developer fees, about $2,500 in many areas, to pay for education. Developers are also required to foot a larger share of road, sewer and water construction. By increasing the price of new homes, demand for resales will rise. For dealers, the gains will help the DIY market.

Southern California—Los Angeles and San Diego in particular—is the stronger half of the state. In the Los Angeles metropolitan area, there is a contrast between good growth and explosive growth. Downtown employment is expanding at a 2.4 percent clip, still higher than the national average. But Riverside is up 6.3 percent and Anaheim 4.5 percent. Proposition U was passed last year to restrict growth, but this will only push commercial development into the Los Angeles suburbs, away from the central business district.

San Diego employment is rising 4.5 percent above a year ago. While the city once had near-total dependence on the military, it is shifting into diversified manufacturing and tourism.

It has announced a cutback in the number of building permits that will be issued in the future, but this will only move development away from the coast. By increasing the cost of new housing, the number of resales will rise, boosting sales.

The Bay Area is headed in three different directions. Employment growth in San Francisco is soft, up only 1.5 percent from a year ago. High housing prices and business costs are encouraging firms to move out of the city.

The East Bay Area, where Oakland is the largest city, is benefiting from the out-migration of jobs from San Francisco. One of the stronger sectors of the local economy remains tourism. Employment in Oakland is up 4 percent from a year ago.

The third major city in the Bay Area is San Jose, where employment is up only 0.2 percent from last year. This is Silicon Valley country, and the computer industry underwent a major correction in 1986. Business is improving now, and employment growth will be strong in 1988.

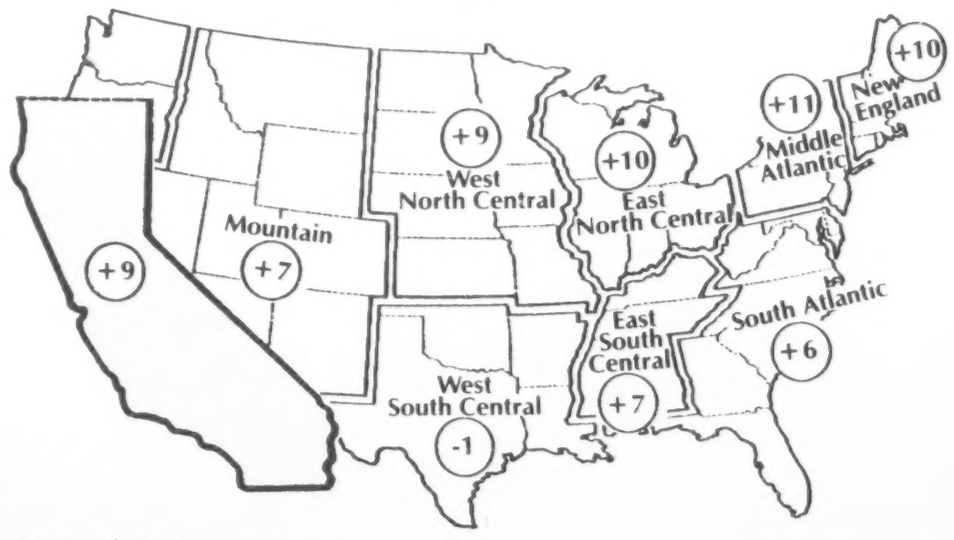
Sacramento, the state capital with a concentration in government employment, is enjoying strong growth—up 4.5 percent from last year. The revitalization of the old section of town into a tourist haven provides additional strength to the retail sector.

The diversified California economy continues to rise faster than the national average, increasing building materials sales 9 percent this year in unit volume. While some areas of the state are not as strong as others, many—such as San Jose—are in the process of recovery.

There have been a number of initiatives within the state to slow new construction, but it appears that they will make resales more attractive in the future, another plus for home improvement dealers.

Building Material and Supply Store Sales Outlook for 1987

Percent Change Unit Volume



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Merrill Lynch Economics

Sales are real dollar increases vs. previous year after inflation.

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